



***United States Attorney  
Southern District of New York***

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**MRI OPERATOR PLEADS GUILTY TO MEDICARE KICKBACKS AND TAX  
EVASION; FUNDS USED FOR PRIVATE SCHOOLS, SAG HARBOR HOME**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced that JAY KATZ pleaded guilty today in Manhattan federal court before United States District Judge JOHN F. KEENAN to two separate Indictments. The first charged KATZ with conspiring to pay kickbacks to the medical staff at various doctors' offices in exchange for the referral of patients to various Magnetic Resonance Imaging facilities that KATZ controlled. In the second Indictment, KATZ pled guilty to one count that charged him with conspiring to evade taxes by filing false corporate and individual tax returns for the years 1996, 1997 and 1998.

**THE MEDICARE KICKBACK SCHEME**

As alleged in the Indictment, KATZ was the manager of a number of magnetic resonance imaging ("MRI") facilities in the New York City area. Katz admitted during the guilty plea proceedings that from 1995 to about August 2000, KATZ hired various "marketers" to pay kickbacks (or "referral fees") to the

medical staff of various doctors' offices throughout the New York City area, including a radiology clinic in the Southern District of New York. KATZ admitted that he knew that the payment of referral fees for Medicare patients were illegal. KATZ also indicated through his attorney that he agreed in a plea agreement with the Government that he had paid approximately \$870,000 in illegal referral fees for Medicare patients over the time period set forth in the Indictment.

As alleged in the Indictment, the facilities that received patients as a result of Katz's payment of referral fees included Belt Parkway Imaging, P.C. and Parkway MRI, P.C., located in Brooklyn; Diagnostic Imaging, P.C., located in the Bronx; and Metro-Scan Imaging, P.C., located in Queens.

#### TAX EVASION SCHEME

During the guilty plea proceeding, Katz also pled guilty to one count of conspiring to evade taxes and file false tax returns for taxpayer years 1996, 1997 and 1998.

As alleged in the Indictment, four of the MRI facilities that KATZ controlled received approximately \$17,069,360, \$23,966,394, and \$29,384,118, respectively, in gross receipts. During those three years, it was alleged, KATZ caused the MRI facilities to pay "billing" and "management fees" to various KATZ-owned shell corporations of approximately \$11,837,549, \$18,183,863, and \$25,749,604, respectively.

During the guilty plea proceeding, KATZ admitted that from 1996 through 1999, he agreed with another person to file false Individual and Subchapter S Tax Returns for the Subchapter S corporations that he owned. The tax returns were false in that they failed to report income and also reported personal expenses as business expenses and as costs of goods sold. Through his attorney, KATZ indicated at the guilty plea proceeding that he had agreed in a plea agreement with the Government that as a result of the false tax returns, he had evaded the payment of approximately \$3.2 million in income tax.

As alleged in the Indictment, among the expenses that KATZ allegedly deducted on the Subchapter S Tax Returns were tuition payments KATZ had made for private schools in Manhattan that his son and nephew attended and the costs of landscaping for his second home located in Sag Harbor, Long Island.

For the calendar years 1996 through 1998, the aggregate ordinary income that KATZ reported on tax returns for the shell corporations listed in the Indictment was a loss of \$70,390. According to the Indictment, the actual income of these corporations in this period was more than \$11 million.

The charges in the Indictment to which KATZ pleaded guilty each carry a maximum penalty of five years in prison and a \$250,000 fine.

KATZ remains free on a \$1 million bond and is scheduled to be sentenced on November 14, 2003.

Mr. COMEY praised the outstanding efforts of the Federal Bureau of Investigation, the Criminal Investigation Division of the Internal Revenue Service, and the U.S. Department of Health and Human Services, which jointly conducted the investigation of the two cases.

Assistant United States Attorneys MIRIAM H. BAER and MEIR FEDER are in charge of the prosecution.

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